

CITY OF ANITA
INDEPENDENT ACCOUNTANTS' EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2014 THROUGH JUNE 30, 2015

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City of Anita

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Miller	Mayor	Jan 2016
Mark Harris	Council Member	Jan 2018
Wade Jessen	Council Member	Jan 2018
Dennis Zimmerman	Council Member	Jan 2018
Jeff Bohnsack	Council Member	Jan 2016
Tom Harris	Council Member	Jan 2016
Lindsay Jahde	Clerk/Treasurer	Indefinite
James Mailander	Attorney	Indefinite



Diane McGrain, CPA
Jim Menard, CPA

Independent Accountants' Report on Applying Agreed-Upon Procedures

To the Honorable Mayor
and Members of City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Anita for the period July 1, 2014 through June 30, 2015. The City of Anita's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

omni business centre
42 n. 2nd street
council bluffs, iowa 51503
712•322•8734 / fax 712•322•4699
www.schroer-cpa.com

9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
10. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
11. We reviewed the city's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
12. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.
17. We reviewed the status of previous report findings.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part therefore, the objective of which is the expression of opinions on financial statements or a part therefore. Had we performed additional procedures, or had we performed an audit of the City of Anita, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Anita and other parties to whom the City of Anita may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Anita during the course of our examination. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Schaefer & Associates, P.C.

November 18, 2015

Detailed Recommendations

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City without evidence of independent review:

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Disbursements – invoice processing, check writing, mailing, reconciling and recording.
- (4) Payroll – recordkeeping, preparation and distribution.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of journal entries should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) City Library Department - All accounting functions are handled by one individual without adequate compensating controls.

Recommendation - The Library Department should segregate accounting duties to the extent possible.

- (C) City Council Minutes – Chapter 372.13(6) of the Code of Iowa requires minutes of all City Council proceedings be published within fifteen days of the meeting. Minutes for one meeting tested were not published within fifteen days.

Recommendation – The City should comply with the Code of Iowa and publish City Council minutes within fifteen days.

- (D) Payroll Transactions – We noted the City's personnel policy does not specify when paying out comp time is appropriate. One payroll transaction we tested was for the payout of comp time with the mayor's signature of approval on the check stub.

Recommendation – The Council should modify the personnel policy to specify when comp time payout is appropriate and have the council separately approve the payout when requested.

- (E) Bank Transactions – For three transactions tested, the check numbers per the bank statement did not match the check number listed in the ledger due to print errors. Also, we noted one credit card transaction tested was missing supporting documentation for one charge on the credit card statement.

Recommendation – The City should make sure when printing checks that the ledger and check reflect the same number for each check written. The City should also ensure it maintains support documentation for all credit card charges.

- (F) Deficit Fund Balances – At June 30, 2015, the City had the following deficit balances:

Special Revenue Funds:

Housing	\$ 4,000
Urban Renewal Tax	131,157
Sewer Capital Projects	100

Recommendation – The City should investigate alternatives to eliminate these deficits in order to return these funds to a sound financial position. Amounts should be transferred from the appropriate funds to the Special Revenue Fund, Urban Renewal Tax Fund to repay the previous interfund loans causing the deficit fund balance.

- (G) Excess Balance – The balances in the Enterprise – Sewer account were in excess of the disbursements made from each fund during the year.

Recommendation – The City should consider the necessity of maintaining the excess balance, and where financially feasible, consider reducing the balance in an orderly manner through revenue reductions.

- (H) Separately Maintained Records – The City of Anita Library Department maintains separate accounting records for a gift account. These transactions and the resulting balances are not included in the City's accounting records.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, and expended for any city purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City accounts should be included in the City's accounting records.

- (I) Deposits and Investments – While a resolution naming official depositories has been adopted by the City Council as required by Chapter 12C.2 of the Iowa Code, the authorized amounts were exceeded during the year.

Recommendation – The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (J) Tax Increment Financing Indebtedness – The City properly decertified amounts for tax increment financing debt to the County Auditor on Form 3; however, the County increased the TIF debt rather than decreasing.

Recommendation – The City should notify the County auditor of their error and request they decrease the TIF debt as previously requested through decertification Form 3.

- (K) Local Option Sales Tax Expenditures – The City transfers all LOST funds into the general fund, therefore it cannot be determined if LOST funds were expended as required by local ballot provisions.

Recommendation – The City should spend the funds directly out of the LOST Fund in order to track how the funds are expended and whether they are in accordance with the LOST ballot provisions.